Council of the European Union

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'I/A' ITEM NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
No. prev. doc.:	16392/25
Subject:	Draft Council conclusions on ECA's Special Report No 24/2025 entitled "Financial instruments in Cohesion policy: A revolving use of funds materialised partially" - Approval

1. On 3 December 2025, the General Secretariat of the Council received the Special Report No 24/2025 "Financial instruments in Cohesion policy: A revolving use of funds materialized partially".

2. Pursuant to the rules laid down in the Council conclusions on improving the examination of special reports drawn up by the Court of Auditors[1], the Permanent Representatives Committee, at its meeting on 10 December 2025, instructed the Working Party on Structural Measures and Outermost Regions to examine this report according to the rules laid down in the above-mentioned conclusions.

[1] Doc. 7515/00 FIN 127 + COR 1.

3. The Court of Auditors presented the report at the meeting of the Working Party on Structural Measures and Outermost Regions of 11 December 2025. The Working Party on Structural Measures and Outermost Regions examined draft Council conclusions proposed by the Presidency in its meetings of 8 January 2026[2] and 4 March 2026[3].

4. On 21 April 2026, the Working Party on Structural Measures and Outermost Regions reached an agreement on the draft Council conclusions annexed[4] hereto, based on a third proposal presented by the Presidency.

5. The Permanent Representatives Committee is therefore invited to recommend to the Council to approve, as an "A" item at a forthcoming meeting, the Council conclusions as set out in the Annex to this note.

[2] WK17536/2025 INIT.
[3] WK 17536/2025 REV 1.
[4] WK 17536/2025 REV 2.

ANNEX

DRAFT COUNCIL CONCLUSIONS

on the Special Report No 24/2025 by the European Court of Auditors: "Financial instruments in cohesion policy – A revolving use of funds materialised partially"

THE COUNCIL OF THE EUROPEAN UNION:

1. WELCOMES the Special Report No 24/2025 by the European Court of Auditors (hereafter referred to as "the Court") and the replies of the European Commission (hereafter referred to as "the Commission") to the Report;

2. AGREES with the Court that financial instruments are considered to enhance the efficiency of public funding, particularly through their potentially revolving nature, as an incentive to sound financial management for the recipients and as generators of leverage effect. On the other hand, the Council TAKES NOTE of the Court's conclusion that the full potential of the revolving effect was not reached and that there is only limited reuse of the funds during the eligibility period;

3. UNDERLINES that the strength of the financial instruments within the framework of cohesion policy lies in (i) the increased opportunities for access to finance, (ii) the flexible use of incentives that can respond to the different needs arising at the various stages of the business life cycle, (iii) the possibility of supporting long-term public investments that address territorial development needs;

4. NOTES that the legal framework for financial instruments in cohesion policy allows Member States to retain resources that have been used at least once during the eligibility period, but the reflows from final recipients should be reused both during and after the relevant eligibility period, consistent with the type of financial instruments activated;

5. NOTES that the Court's audit assessed if audited Member States and regions exploited effectively the potential of cohesion policy financial instruments for more sustained use of funding and if the framework established for cohesion policy financial instruments incentivised the reuse of funding by Member States and regions;

6. TAKES NOTE of the findings of the Report, in particular that:

- Reuse of the funds during the eligibility period depends on the features of the financial instrument, but overall is very limited;

- Absorption pressure can be a key reason for limited reuse of the funds, because prioritising the use of funds paid back to a financial instrument over spending initial programme allocations of financial instrument funds would lead to commitments being cancelled, and therefore a loss of EU funds for the Member State or region;

- Financial products with medium- or long-term duration limit the potential for reuse of the funds, as they are invested in assets with long life cycles, often illiquid, meaning reflows often become available too late for reinvestment during the eligibility period;

- Limited reuse of funds paid back during the eligibility period can also be linked to the objective of achieving leverage by raising additional capital for financial instruments from private investors. Reflows used to compensate losses of private investors reduce the amounts available for reuse;

7. TAKES NOTE of the Commission's opinion in its replies to the comments, the observations and the recommendations included in the Court's Report, in particular that the Commission already audits the reuse of funds as part of its current audit approach for thematic audits on financial instruments and during its compliance audits and other thematic audits, and considers strengthening its audit measures by carrying out horizontal audits on the reuse of funds as well as encouraging Member States to reuse reflows as promptly as possible, considering the relevant regulatory framework;

8. WELCOMES the fact that the Commission accepts in full the recommendations of the Court, ENCOURAGES the Commission to continue to monitor the actual reuse of funds during this programming period, and RECOGNISES the need for the regulatory framework to ensure the optimal use of the funds and reuse of reflows, while allowing flexibility to adequately respond to the market needs and avoiding any increase of administrative burden.